

## **CALIFORNIA AIR RESOURCES BOARD**

### **NOTICE OF PUBLIC MEETING TO CONSIDER PROPOSED GUIDELINES FOR IMPLEMENTING AN EXPANDED STATEWIDE ZERO EMISSION VEHICLE INCENTIVE PROGRAM (ZIP I AND ZIP II) AND A ZERO EMISSION VEHICLE INCENTIVE PROGRAM FOR FLEETS THAT OPERATE IN AREAS OF CALIFORNIA WITH THE POOREST AIR QUALITY**

The California Air Resources Board (Board or ARB) will conduct a public meeting at the time and place noted below to consider proposed guidelines for the coordinated implementation of three zero emission vehicle (ZEV) incentive programs, an existing statewide program and two new programs. The existing program was created by Assembly Bill 2061 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal) and originally funded with an \$18 million appropriation. The two new programs will provide additional ZEV grants authorized by the Budget Act of 2001 and funded with a \$20 million appropriation. One new program will expand the existing statewide program and the other new program will provide grants, using a competitive process, to fleets that operate in areas of California with the poorest air quality. These three programs make available grants for the purchase or lease of eligible ZEVs, during overlapping periods, beginning October 1, 2000, and extending through June 30, 2004.

DATE: April 25, 2002

TIME: 9:00 a.m.

PLACE California Environmental Protection Agency  
Central Valley Hearing Room, 2nd Floor  
1001 "I" Street  
Sacramento, California 95814

This item will be considered at a two-day meeting of the Board, which will commence at 9:00 a.m., on April 25, 2002, and may continue at 8:30 a.m., April 26, 2002. This item may not be considered until April 26, 2002. Please consult the agenda for the meeting, which will be available at least 10 days before April 25, 2002, to determine when this item will be considered.

This facility is accessible to persons with disabilities. If accommodation is needed, please contact ARB's Clerk of the Board at (916) 322-5594 by April 11, 2002, to ensure accommodation. Persons with hearing or speech impairments can contact us by using our Telephone Device for the Deaf (TDD) at (916) 324-9531, or (800) 700-8326 for TDD calls from outside the Sacramento area.

## **BACKGROUND**

California's ZEV program was originally adopted following a hearing in 1990, as part of the Low Emission Vehicle regulations. The ZEV program is an integral part of California's mobile source control efforts and is intended to foster market development for advanced technologies that will secure increasing air quality benefits for California now and into the future. During biennial technical reviews the Board received testimony that the initial cost of ZEVs, today and in the 2003 timeframe, is much higher than for comparable conventional cars. The Board recognized that incentives are needed to ease the transition to a self-sustaining ZEV market. Therefore, the Board directed staff to investigate and develop additional mechanisms, to encourage purchase or lease of new ZEVs, to help with the ZEV market transition.

The existing statewide ZEV incentive program was created by AB 2061 (Statutes of 2000, Chapter 1072, Lowenthal), and was funded with an \$18 million appropriation from the State General Fund. Qualified recipients may receive grants up to \$9,000 per vehicle for the purchase or lease of zero emission passenger cars or trucks between October 2000 and December 2002. Guidelines for implementing this program were first adopted by the Board on December 7, 2000. The program was recently modified by AB 1390 (Statutes of 2001, Chapter 763, Firebaugh), effective January 1, 2002.

Additional ZEV incentives has been provided by the Legislature through a \$20 million appropriation in the approved Fiscal Year 2001-2002 State Budget. Ten million dollars was appropriated for grants up to \$5,000 per vehicle for individual recipients. The other \$10 million was appropriated for grants up to \$11,000 per vehicle to be awarded using a competitive process to operators of fleets in areas of California with the poorest air quality. These funds are available for expenditure through June 2004.

## **DESCRIPTION OF PROPOSED GUIDELINES**

The proposed guidelines include modifications to the guidelines for implementing the existing statewide ZEV incentive program and will establish criteria for the distribution of the additional ZEV incentive funding appropriated in the Fiscal Year 2001-2002 State Budget. Staff proposes to modify the current guidelines to address AB 1390 and other changes proposed by staff. In addition, staff proposes that the funding available from the State Budget appropriation be made available to a greater variety of ZEVs than under the current program. However, eligible vehicle models will still be determined on a case-by-case basis.

The Executive Summary of the proposed guidelines is provided with this notice. This section provides an overview of the criteria for qualified recipients, eligible ZEV categories, procedures for administering the programs, fleet project ranking criteria, proposed grant amounts, and a proposed implementation schedule.

In preparing the proposed guidelines, ARB staff has worked closely with ZEV stakeholders to ensure that they have an opportunity to provide comments and suggestions. As part of the effort, staff has met with individual stakeholders and held several working meetings on the guidelines for all stakeholders. Staff also held public workshops to discuss proposed program concepts and criteria in Sacramento, California, on December 19, 2001, and in Huntington Park, California, on January 10, 2002. The proposed guidelines are expected to be available to the public by April 2, 2002. The Board will consider the proposed guidelines and information presented by staff and all interested parties.

### **AVAILABILITY OF DOCUMENTS AND AGENCY CONTACT PERSON**

Staff anticipates that proposed guidelines for the coordinated ZEV incentive programs will be available by April 2, 2002. This notice, information on the current ZEV incentive program and, when available, the proposed guidelines may be obtained from ARB's Public Information Office, 1001 "I" Street, Sacramento, California 95814, (916) 322-2990, or from the ARB internet site at <http://www.arb.ca.gov/msprog/zevprog/zip/zip.htm>. If you would like to receive a copy of the proposed guidelines by mail, please contact Ms. Linda Davis, On-Road Controls Branch, Mobile Source Control Division, at (916) 323-6169.

To obtain these documents in an alternate format, please contact the ARB American Disabilities Act Coordinator at (916) 323-4916, TDD (916) 324-9531, or (800) 700-8326 for TDD calls from outside the Sacramento area.

If you need additional information or have further inquiries, please contact Ms. Judy Yee, Air Pollution Specialist, at (916) 327-5610, or Ms. Gayle Sweigert, Air Pollution Specialist, at (916) 322-6923.

### **SUBMITTAL OF COMMENTS**

The public may present comments relating to this matter orally or in writing at the meeting, and in writing or by e-mail before the meeting. To be considered by the Board, written submissions must be addressed to and received by the Clerk of the Board, Air Resources Board, P.O. Box 2815, Sacramento, California 95812, or 1001 "I" Street, 23<sup>rd</sup> Floor, Sacramento, California 95814, no later than 12:00 noon on April 24, 2002, or received by the Clerk of the Board at the meeting. To be considered by the Board, e-mail submissions must be addressed to [zip02@listserv.arb.ca.gov](mailto:zip02@listserv.arb.ca.gov) and received at ARB no later than 12:00 noon on April 24, 2002.

The Board encourages members of the public to bring to the attention of staff in advance of the meeting any suggestions or comments. The Board requests, but does not require, that 30 copies of any written statement be submitted as early as possible prior to the meeting date, so that ARB staff and Board Members have time to fully consider each comment.

CALIFORNIA AIR RESOURCES BOARD

/s/

Michael P. Kenny  
Executive Officer

Date: March 29, 2002

## **ATTACHMENT**

### **PROPOSED GUIDELINES FOR IMPLEMENTING AN EXPANDED STATEWIDE ZERO EMISSION VEHICLE INCENTIVE PROGRAM (ZIP I AND ZIP II) AND A ZERO EMISSION VEHICLE INCENTIVE PROGRAM FOR FLEETS THAT OPERATE IN AREAS OF CALIFORNIA WITH THE POOREST AIR QUALITY**

#### **EXECUTIVE SUMMARY**

This report provides the State Air Resources Board (ARB or Board) proposed guidelines for the coordinated implementation of three zero emission vehicle (ZEV) incentive programs. One program is an existing program, the original \$18 million statewide ZEV incentive program authorized by Assembly Bill 2061 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal). In addition, the Legislature approved funding of a total of \$20 million in the Fiscal Year 2001-2002 State Budget (Budget Act of 2001) for two new ZEV incentive programs. These three programs make available grants to consumers for the purchase or lease of eligible ZEVs during overlapping time periods, beginning October 1, 2000 and extending through June 30, 2004.

Originally, \$38 million in total funding was appropriated for these three programs. However, the Administration Budget for 2001-2002 has reduced the original Lowenthal authorized program funding by \$3.2 million. This reduces the total available funding from \$38 million to \$34.8 million. Of the \$20 million allocated in the State Budget for new programs, half is prescribed for extension of the original grant program, and the other half is to provide grants to fleets that operate in the areas with the poorest air quality.

This report is organized in two parts. Part I contains proposed guidelines for implementing two distinct, but similar, ZEV incentive programs. Part II contains proposed guidelines for a unique fleet incentive program. Specifically, Part I-A contains staff's proposed revisions for the existing statewide ZEV incentive program authorized by AB 2061 which staff will refer to as "ZIP I". Part I-B contains staff's recommendation for guidelines for implementing one of the two new ZEV incentive programs funded by the Budget Act of 2001. As discussed above, funding was appropriated to provide additional grants for ZEVs through June 2004; staff will refer to this program as "ZIP II". Part II contains staff's proposed guidelines for the implementation of the second new ZEV incentive program for fleets operated primarily in areas of California with the poorest air quality which staff will refer to as the "fleet program".

Both ZIP I and ZIP II provide grants for new eligible ZEVs on a first-come-first-served basis and have overlapping grant availability periods. ZIP I provides greater grant amounts per vehicle, but is a more focused program. Grants remain available for eligible new zero emission passenger cars and trucks only through December 2002. As proposed, ZIP II grants will be available for a greater variety of ZEVs and will be

available through June 2004. Staff is proposing to implement both programs in a coordinated and seamless manner so that the consumer will be served by a single, expanded statewide ZEV incentive program. The Program Manager, application form and approval process will be the same for both programs. The Program Manager will ensure that the consumer receives the maximum grant amount available at the time of purchase or lease.

The proposed fleet program (Part II) would provide the highest award amounts. The Legislature directed the Air Resources Board to award these grants through a competitive process. The competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities.

#### **Part I-A. A Revised Zero Emission Incentive Program Pursuant to Health and Safety Code Sections 44260-44265 (ZIP I)**

Part I-A contains proposed guidelines that incorporate and revise Guidelines for a Zero Emission Vehicle Incentive Program Pursuant to Health and Safety Code Sections 44260-44265 (AB 2061, Statutes of 2000, Lowenthal) which were approved by the Board at its December 7, 2000, public meeting and released by staff in February 2001. Originally authorized by AB 2061, this program provides grants up to \$9,000 for the purchase or lease of new zero emission passenger cars or trucks between October 1, 2000 and December 31, 2002. AB 2061 specified that only vehicles capable of operation on freeways, also referred to as full-function vehicles, are eligible for grants. AB 2061 also provided a calculation method for determining a maximum available grant and provided instructions on the distribution of the grant. A status report on the implementation of this program through February 2002 is provided in Appendix I-G. The program was recently modified by Assembly Bill 1390 (AB 1390, Statutes of 2001, Chapter 763, Firebaugh), effective January 1, 2002. The proposed revisions to the guidelines address required AB 1390 program modifications as well as several changes proposed by staff.

AB 1390 expanded eligible applicants to include public agencies. This change will allow federal agencies and entities, previously excluded by AB 2061, to qualify for grants. AB 1390 also gives ARB the ability to reserve, allocate and reallocate funds to any eligible grant recipient. The ARB is to periodically review grant applicants and the award of grants to ensure, to the greatest extent possible, that all grant funds are used. The ARB may also reduce the grant amount or eliminate the grant if the applicant receives a grant from either of the two new ZEV incentive programs.

Staff's proposed changes include an additional criterion for vehicle eligibility that requires that the vehicle must be covered by a full manufacturer warranty on the power train and battery pack for a minimum of 36 months.

## **Part I-B. A Zero Emission Vehicle Incentive Program Pursuant To The Budget Act of 2001 (ZIP II)**

Part I-B contains staff's proposed guidelines for implementing a new ZEV incentive program funded by an appropriation from the Budget Act of 2001. The appropriation is available for expenditure through June 2004 and may be used to provide grants up to \$5,000 per vehicle pursuant to criteria established by the ARB. Staff is proposing that this ZEV incentive program, ZIP II, be implemented statewide and administered in coordination with ZIP I. However, staff is proposing that ZIP II provide grants for a greater variety of ZEVs than are eligible in ZIP I. Staff is not proposing to implement a retroactive program. Therefore, staff is proposing that new eligible ZEVs must be purchased or leased after the date of Board approval of these guidelines and on or before June 30, 2004, to be eligible for grants on a first-come-first-served basis.

For ZIP II, staff is proposing to place individual ZEV models in one of several categories for the purpose of determining vehicle eligibility and grant amount. Staff is proposing to use the following vehicle categories: Full-Function ZEVs (FFEVs), City ZEVs (CEVs), Neighborhood ZEVs (NEVs), and Zero Emission Motorcycles (ZEMs). Because NEVs are a low-cost compliance strategy for the ZEV regulations, they would not be eligible for ZIP II grants unless the manufacturer volunteers to give up the ZEV regulatory credit. The ZEM category is limited to fully-enclosed, 3-wheel motorcycles. Staff will subdivide the ZEM category, if needed, into freeway-capable and non-freeway ZEMs for purposes of establishing grant amounts.

As in ZIP I, eligible vehicle models will be determined on a case-by-case basis. Vehicle eligibility criteria include certification by ARB as New Electric Vehicles or New Zero Emission Vehicles, compliance with all applicable Federal Motor Vehicle Safety Standards (FMVSS), and a minimum 36 month full manufacturer warranty on the vehicle power train and battery pack. The proposed grant amounts range from \$1,000 up to \$5,000 per vehicle.

As mentioned previously, staff is proposing to implement ZIP I and ZIP II in a coordinated and seamless manner so that the consumer will be served by a single, expanded statewide ZEV incentive program. Staff proposes to use a common application and approval process. The availability of ZIP I and ZIP II grants will overlap during 2002. During 2002, a ZEV meeting the eligibility criteria for both a ZIP I and ZIP II grant, will be awarded the greater grant amount, in most cases the ZIP I grant. After December 31, 2002, and through June 2004, only ZIP II grants may be awarded.

For either a ZIP I grant or ZIP II grant, the applicant may choose to accept the grant directly or to assign the grant payment to a participating lessor. When the applicant accepts direct payment of the ZIP I grant, it is paid in three equal annual allotments, consistent with AB 2061. The ZIP I grant may not be assigned to the vehicle dealer when the vehicle is purchased. However, the staff proposes to distribute the smaller

ZIP II grant in one payment. The applicant will have the option of assigning the ZIP II grant to a participating dealer for a vehicle purchase.

## **Part II. A Zero Emission Vehicle Incentive Program For Fleets That Operate In Areas of California With the Poorest Air Quality**

In the Budget Act of 2001, the Legislature appropriated funding to establish a new ZEV incentive program for fleets operating in areas of California with the poorest air quality. The direction for the program is specified in both Assembly Bill 1390 (2001, Chapter 763, Section 44260) and authorizing Budget Language (Zero Emission Vehicle Program, Fiscal Year 2001-2002). The proposed competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities.

Staff proposes a fleet program with the following four program goals:

- ? Implement an incentive program for ZEVs for fleets that operate in the geographical areas of the State with the poorest air quality;
- ? Promote the deployment of ZEVs in communities that suffer from greater exposure to poor air quality, including low-income and minority communities;
- ? Encourage projects that showcase ZEV technology to communities, or include education on the benefits of ZEV technology, so that all communities, especially low-income and communities of color, can take a more active role in decisions affecting their local air quality; and
- ? Promote Full-Function ZEVs or ZEVs with full function characteristics.

Staff proposes that the fleet program be implemented at the state level by ARB, in conjunction with Program Partners and Program Sponsors. An ARB-appointed Program Manager will oversee the implementation of the fleet program. Program Partners will be public agencies that agree to work with the ARB Program Manager and assist in the implementation of the program in their jurisdictions. Program Partners may include local air pollution control or air quality management agencies. Program Sponsors will be organizations that support the program in a variety of ways, including outreach activities and fleet evaluation of interested applicants. Program Sponsors may include automakers, electric utilities with electric vehicle programs, environmental groups, or community groups.

The fleet program is divided into three stages: pre-solicitation, solicitation, and grant allocation. The goal of the pre-solicitation is to inform interested fleets, public agencies and community organizations about the benefits of ZEV technologies and funding opportunities available under the program. The solicitation process will begin with a public notice announcing the opening of the grant solicitation period. All interested parties must submit an official application form along with required information on the proposed project. The Program Manager will screen all applications for completeness and determine eligibility for all complete applications. Eligible applicants will be public



agencies, businesses or corporations authorized to conduct business in California, non-profit organizations, estates and trusts. Individuals will not be eligible. All eligible proposals will be evaluated and scored using objective criteria by Program Partners and a Technical Review Committee consisting of ARB staff and managers with expertise in the areas of environmental justice, public education, sources of air pollutant emissions and grant management. Proposals will be categorized as Community Projects or Fleet Projects. The same ranking process will be used to evaluate both types of projects and will allow projects of similar scope to be evaluated comparably. Table I below summarizes eligibility criteria and considerations in project evaluation.

**Table I: Fleet Program Project Eligibility Requirements and Evaluation Criteria**

Criteria	Project Eligibility Requirement	Project Evaluation Criteria
Eligible Applicant	Yes	
Eligible Fleet	Yes	
Nonattainment Area	Yes	
New Eligible ZEV	Yes	
Environmental Justice Criteria	Yes	Yes
Project Administration ( <i>Fleet Projects only</i> )	Yes	
Vehicle Miles Traveled		Yes
Public Education		Yes
Program Partnerships		Yes
Vehicle Use/Application		Yes

#### **Staff Recommendation and Proposed Implementation Schedule**

These proposed guidelines are presented for Board consideration and approval. It should be noted that the Legislature is also considering a combination of additional funding cuts and funding redistribution of \$12.8 million dollars from both the Lowenthal authorized funds and funds allocated from the 2001-2002 State Budget.

A summary of proposed eligible vehicle categories and grant amounts is provided in Table II. A proposed implementation schedule is provided in Table III.

**Table II: Summary of ZEV Incentive Programs**

Vehicle Category	Earns ZEV Regulatory Credit	Grant Amount		
		ZIP I	ZIP II	Fleet Program
		10/2000-2002	5/2002-2004	5/2002-2004
Full Function ZEV	Yes	Up to \$9,000	\$5,000	\$11,000
City ZEV	Yes	None	\$3,500	\$5,000
Neighborhood ZEV	Yes	None	None	None
	No, per manufacturer option	None	\$1,000	\$1,500
Zero-Emission Motorcycle (ZEM)	No	None	Up to \$2,000	Up to \$3,000

**Table III: Proposed Implementation Schedule**

Date or Time Period	Action Item
April 25-26, 2002	ARB public meeting to consider guidelines
Current – Dec. 31, 2002	Applications and voucher requests accepted for ZIP I grants authorized by AB 2061
May 1, 2002 – June 30, 2004	Applications and voucher requests accepted for ZIP II grants funded by Budget Act of 2001
May/June 2002	Pre-Solicitation Workshops For First Fleet ZEV Grant Solicitation
July-August 2002	First Solicitation Period
September 2002	Selection of Fleet Proposals from First Solicitation
February 2003	Pre-Solicitation Workshops For Second Fleet ZEV Grant Solicitation (tentative)
March - May 2003	Second Solicitation Period (tentative)
April 2003	Annual Status Report on ZEV Incentive Programs
June 2003	Selection of Fleet Proposals from Second Solicitation (tentative)
April 2004	Annual Status Report on ZEV Incentive Programs

